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SPECIAL ANALYSIS B

FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS

The Budget of the United States Government, 1983

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Note.—All years referred to are fiscal years, unless otherwise noted. Details in the tables, text, and charts of this booklet may not add to totals because of rounding.

OFFICE OF MANAGEMENT AND BUDGET

EXECUTIVE OFFICE OF THE PRESIDENT

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SPECIAL ANALYSIS B

FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS

The budget is designed to serve several purposes:

—It is an *economic document* that reflects the taxing and spending policies of the Government for promoting economic growth, high employment, relative price stability, and a strong balance-of-payments position.

—It proposes an *allocation of resources* between the private and public sectors and within the public sector. Through its impact on consumption and investment decisions and the distribution of income it also affects allocation decisions within the private sector.

—It sets forth the *President's request to the Congress* for appropriations action on existing or new programs and for changes in tax legislation.

—It is a *report to the Congress and the people* on how the Government has spent the funds entrusted to it in past years.

No single budget concept can satisfy all these purposes fully. The budget document and related Treasury reports provide complete, detailed information on the finances of the Federal Government and on the tax and spending programs proposed by the President. For study of aggregate economic activity, however, the national income and product accounts (NIA) of the United States provide the most useful measures. This special analysis shows Federal finances as measured in the NIA. The analysis is divided into three major sections. The first shows the size, composition, and trends in Federal sector receipts and expenditures. Additional details will be published in the March 1982 issue of the Department of Commerce publication, *Survey of Current Business*. The second section of this analysis shows quarterly estimates of Federal sector receipts and expenditures, while the final section explains the major differences between the budget and the NIA concepts. A discussion of fiscal policy can be found in the *Economic Report of the President*.

Federal Sector Receipts and Expenditures

Table B–1 shows Federal sector NIA receipts, expenditures, and deficits for 1981–83.

Table B–1. **FEDERAL RECEIPTS AND EXPENDITURES IN THE NIA**

(In billions of dollars)

Description	1981 actual	1982 estimate	1983 estimate
RECEIPTS			
Personal tax and nontax receipts	290.7	303.5	307.7
Corporate profits tax accruals	69.6	58.7	78.1
Indirect business tax and nontax accruals	56.6	57.4	57.5
Contributions for social insurance	196.1	221.4	242.4
Total receipts	**613.0**	**641.0**	**685.7**
EXPENDITURES			
Purchases of goods and services	218.3	249.0	272.9
Defense	(147.1)	(174.1)	(203.2)
Nondefense	(71.2)	(74.9)	(69.7)
Transfer payments	279.7	312.1	330.8
Domestic ("to persons")	(273.9)	(306.0)	(324.6)
Foreign	(5.8)	(6.1)	(6.2)
Grants-in-aid to State and local governments	90.1	86.3	76.8
Net interest paid	60.9	81.4	95.9
Subsidies less current surplus of Government enterprises	13.0	12.5	11.2
Wage disbursements less accruals	–.1	.1	.....
Total expenditures	**667.9**	**741.4**	**787.6**
Deficit (–)	**–54.9**	**–100.4**	**–101.9**

Note: The estimates for 1982 and 1983 are preliminary; any revisions will be published in the March 1982 issue of the *Survey of Current Business*.

Trends in Federal sector receipts.—Table B–1 divides receipts into four major categories, which are also illustrated in the chart on the distribution of Federal sector receipts by category. Table B–2 shows, at 10-year intervals, 3-year averages of Federal sector receipts by category as a percent of the gross national product (GNP) for the early 1950's, 1960's, and 1970's to provide a perspective relative to the current levels of receipts. For the earlier periods, 3-year averages were used in order to eliminate the impact of annual fluctuations and to permit greater focus on trends. However, there are now major changes in direction in the relative size of Federal sector receipts. To better reflect these changes the table shows the 1981 actual percentages and 1983 estimated percentages separately.

Table B–2. **FEDERAL SECTOR RECEIPTS AS A PERCENT OF GNP**

Description	1951–53 average actual	1961–63 average actual	1971–73 average actual	1981 actual	1983 estimate
Personal tax and nontax receipts	7.4	8.6	9.0	10.2	9.0
Corporate profits tax accruals	5.7	4.2	3.2	2.4	2.3
Indirect business tax and nontax accruals	3.0	2.6	1.9	2.0	1.7
Contributions for social insurance	2.1	3.5	5.1	6.9	7.1
Total receipts	**18.2**	**18.9**	**19.2**	**21.4**	**20.0**

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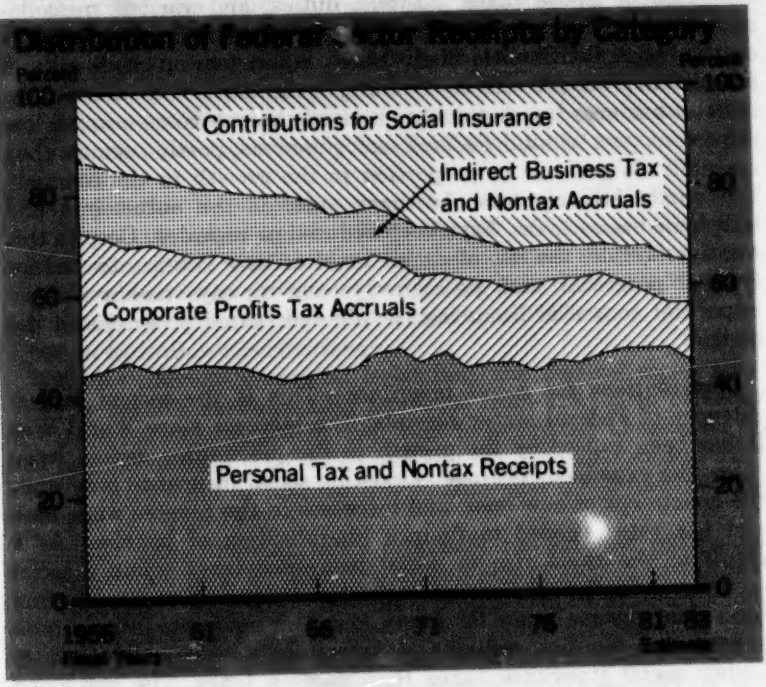
Personal tax and nontax receipts.—The largest receipt category—personal tax and nontax receipts—is composed primarily of individual income taxes but also includes estate and gift taxes and some miscellaneous receipts. Traditionally, increases in income, because of both real growth and inflation, would automatically increase these receipts. Indeed, since personal income taxes are progressive, these receipts normally grow at a faster rate than personal income. Periodically over the past three decades tax reductions were enacted that offset part of the increase in effective tax rates resulting from the progressive tax structure. However, the Economic Recovery Tax Act of 1981 has drastically altered these circumstances. That act provided for across-the-board tax reductions and—starting in 1985—indexing of income tax brackets, the zero bracket amount, and the personal exemption to inflation. As a result, personal tax and nontax receipts will increase at a much slower rate in the future than the increases that normally would have been called for under existing tax law.



Corporate profits tax accruals.—Corporate profits tax accruals vary significantly from year to year because corporate profits are highly volatile. The NIA corporate profits taxes differ from the corresponding budget category primarily because: (1) the NIA includes the deposit of earnings by the Federal Reserve System as

corporate profits taxes, whereas the budget treats these collections as miscellaneous receipts; and (2) the NIA records corporate profits taxes when the profits are earned (that is, accrued), while the unified budget records the cash receipts.

The gradual decline in corporate profits tax receipts relative to GNP and (as shown in the chart above) to total receipts results mainly from three factors: (1) a long-term decline in corporate profits relative to GNP; (2) a narrowing of the corporate profits tax base resulting from changes in the definition of corporate profits for tax purposes (largely increases in permissible depreciation allowances); and (3) reductions in effective tax rates on corporate profits resulting from statutory rate reductions and tax credits. Recently enacted tax changes designed to stimulate investment further accelerated this trend toward a relative reduction in corporate profits taxes.

Indirect business tax and nontax accruals.—These receipts are composed of excise taxes, customs duties, and various miscellaneous receipts such as the windfall profit tax, rents and royalties on the Outer Continental Shelf lands, import fees on crude oil and petroleum products, and coal-mining reclamation fees. Over time, indirect business tax and nontax accruals have become a much less important part of total Federal sector receipts, partly because they normally do not rise in proportion to the growth in the economy and partly because some of them, such as the automobile and telephone excise taxes, have been reduced or repealed. Despite this relative decline, the use of excise taxes as user charges to finance Federal programs such as highways and airways makes this an important source of financing certain specialized programs in the budget.

Contributions for social insurance.—This is the second largest category of Federal sector receipts. The increase since World War II has been caused by the growth in the labor force and in wage rates, the expanded coverage of existing social insurance programs, the enactment of new ones, and increases in the taxable wage base and tax rates needed to finance liberalization of benefits. As a result of the rapid rise in social insurance taxes (mainly social security) and the passage of legislation reducing or eliminating individual income taxes for many low- and moderate-income individuals and families, millions of Americans now pay significantly higher social insurance taxes than income taxes. The combined effect of the tax reductions provided by the Economic Recovery Tax Act of 1981 and the social security tax increases under current laws—plus the proposal to include Federal civilian employees under hospital insurance taxes for the first time—dramatically

reinforce this trend toward social insurance collections rising relative to total NIA receipts.

Major tax changes.—Last year the Congress enacted one of the most sweeping sets of changes in tax law ever enacted: the Economic Recovery Tax Act of 1981. This budget proposes some relatively small additional tax changes—most of which will affect years beyond 1983—but almost all of the changes in tax receipts reflected herein due to legislation arise from the effects of the Economic Recovery Tax Act of 1981 and from changes in the social security tax rates and base that occur automatically under current law.

The Economic Recovery Tax Act of 1981:

—Marginal individual income tax rates were reduced by 5% effective October 1, 1981. They will be reduced an additional 10% effective July 1, 1982 and an additional 8% effective July 1, 1983 from the levels called for under prior law.

—Other major changes affecting personal taxes include reducing the maximum marginal income tax rate to 50%, reducing the maximum effective tax rates on capital gains, allowing taxpayers who do not itemize deductions to deduct charitable contributions, permiting taxpayers who are covered by retirement programs to open tax-exempt individual retirement accounts, and significantly reducing tax liabilities under estate and gift taxes.

—Corporation income taxes were reduced through imposition of lower tax rates on the first $50,000 of corporate taxable income, faster write-offs under depreciation allowances, and liberalization in provisions permitting less profitable corporations to transfer tax benefits to more profitable ones.

Social insurance contributions:

—Under previously enacted legislation, the Federal social security taxable earnings base increased from $29,700 in calendar year 1981 to $32,400 in 1982 and is estimated to increase to $35,100 in 1983. The social security tax rate also rose in 1981 (to 13.3%) and in 1982 (to 13.4%). The next scheduled increase is to 14.1% in 1985.

—Under the administration's proposals, the railroad retirement trust fund is to be abolished at the end of 1982. The railroad retirement covered population is proposed to be included under social security and medicare in the same manner as if they had always been under social security; the railroad retirement program in excess of that provided by social security is proposed to be absorbed by a Government-created private insurance corporation.

—Most Federal civilian employees are not covered by social security or medicare—they are generally covered by Federal employee staff pensions (such as the civil service retirement fund) and medical insurance programs. The administration is recommending that Federal civilian employees be included in the hospital insurance program; this will raise contributions for social insurance by $1.2 billion in 1983.

Additional details about enacted and proposed tax changes can be found in Part 4 of the 1983 *Budget* on a unified budget basis; additional detail on an NIA basis will be published in the March 1982 *Survey of Current Business.*

Trends in Federal sector expenditures.—Federal sector expenditures are also divided into several major NIA categories. The principal distinction is between purchases of goods and services (which are divided between defense and nondefense purchases) and all other transactions. Purchases are that portion of the Nation's output that is bought directly by the Federal Government and, therefore, included in the GNP. The other expenditure categories consist primarily of payments to individuals and grants to State and local governments. These individuals and governments, in turn, can use the income to finance their own consumption or purchases of goods and services, to save, and—in the case of States and localities—to hold down taxes or to make transfer payments.

The chart on the distribution of Federal sector expenditures illustrates the trends starting with 1956. As can be seen, major shifts in the composition of Federal sector expenditures occur over time. For example, for most years since the Korean war, defense purchases of goods and services have been a declining share of Federal spending. This pattern was temporarily reversed for 3 years during the Vietnam period, but by 1970 the defense share was well below the pre-Vietnam percentages. This budget reflects the President's efforts to reverse the relative decline in our Nation's defense capability that accompanied these reductions. Defense purchases are expected to total 23.5% of Federal sector expenditures in 1982 and 25.8% in 1983; they were 22.0% in 1981, and 21.8% in 1980.

As with table B–2, table B–3 shows historical data on 3-year averages in order to reflect basic trends, but the 1981 and 1983 data show the major shifts from trend in the 1983 budget.

Defense purchases and foreign transfer payments are, of course, largely devoted to the conduct of our national defense and foreign affairs. In 1951–53 defense purchases were 10.9% of GNP; 1951 was the first year of the Korean war. Foreign transfer payments in 1951–53 averaged 0.8% of GNP. The total of these—11.7%—reflects roughly the cost of the conduct of external affairs. The years 1961–63, a post-Korean war peacetime period, reflected a significantly

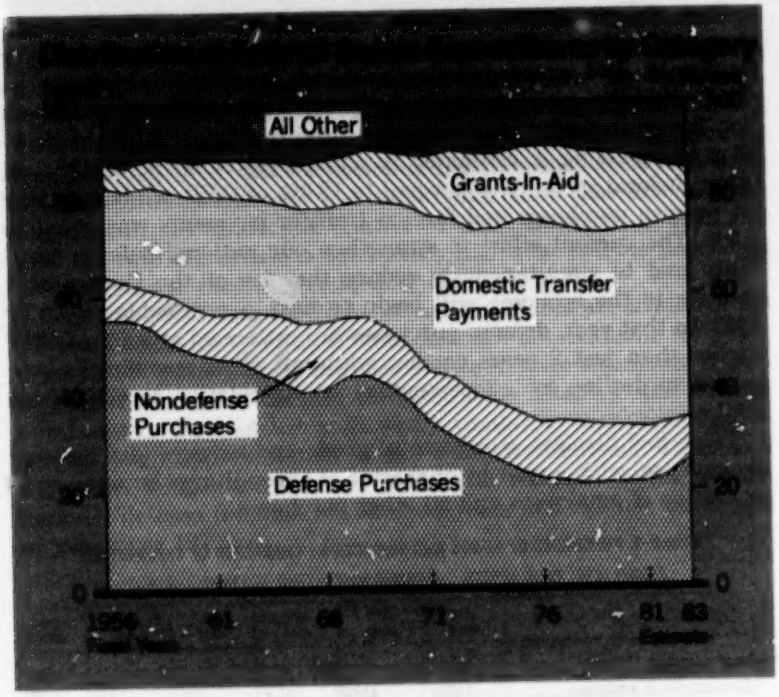


Table B–3. **FEDERAL SECTOR EXPENDITURES AS A PERCENT OF GNP**

Description	1951–53 average actual	1961–63 average actual	1971–73 average actual	1981 actual	1983 estimate
Defense purchases	10.9	8.9	6.4	5.1	5.9
Nondefense purchases	1.7	2.1	2.3	2.5	2.0
Domestic transfer payments	2.5	4.6	6.8	9.6	9.5
Foreign transfer payments	.8	.4	.2	.2	.2
Grants-in-aid to State and local governments	.8	1.4	2.9	3.2	2.2
Net interest paid	1.4	1.2	1.3	2.3	2.8
Subsidies less current surplus of Government enterprises	.3	.7	.7	.5	.3
Total expenditures	**18.2**	**19.3**	**20.6**	**23.4**	**22.9**

lower level of defense expenditures relative to the GNP than was prevalent prior to the Korean war. In that period, defense purchases and foreign transfers combined were equal to 9.4% of GNP. Even though the 1971–73 period included some spending for the Vietnam war, defense purchases and foreign transfers were down to 6.6% of GNP. In 1981, defense purchases plus foreign transfer payments were equal to 5.3% of the GNP—well below the 1971–73 average—but by 1983 they are expected to total 6.1% of GNP.

Over the past several decades, spending on most other expenditure categories—especially nondefense purchases, domestic transfer payments, and grants-in-aid—has risen dramatically relative to GNP. 1951–53 spending for everything except defense purchases and foreign transfer payments was equal to 6.6% of GNP; in 1971–73 such spending is estimated to equal 14% of GNP. In 1981 all other Federal spending was equal to 18.0% of GNP, while spending on defense purchases and foreign transfer payments was equal to 5.3%. The current effort to strengthen our national defense capability and to simultaneously reduce the size of the Government relative to the economy will begin to have a noticeable effect by 1983. In that year, defense purchases are estimated at 0.8% of GNP higher than just 2 years earlier, while all other spending is estimated to decline by 1.3 percentage points relative to GNP from 1981.

Table B–4 displays purchases of goods and services (defense and nondefense) with a split by character of expenditures between compensation of employees and all other purchases.

Table B–4. PURCHASES OF GOODS AND SERVICES BY CHARACTER OF EXPENDITURE

(In billions of dollars)

	1978 actual	1979 actual	1980 actual	1980 actual	1981 actual	1983 estimate
Defense purchases:						
Compensation of employees	45.4	48.0	51.4	57.6	64.2	69.5
Other	52.6	59.4	74.7	89.5	109.9	133.7
Total defense purchases	98.0	107.4	126.1	147.1	174.1	203.2
Nondefense purchases:						
Compensation of employees	25.1	26.7	28.6	30.4	31.2	32.5
Other	27.6	29.3	35.5	40.8	43.7	37.2
Total nondefense	52.7	56.0	64.1	71.2	74.9	69.7

Defense purchases of goods and services.—Defense purchases consist of all purchases of goods and services under programs included in the national defense function in the budget document. In addition, defense purchases include purchases of goods and services by the military assistance programs that in earlier years had been classified in the national defense function but are now classified in the international affairs function in the budget. Normally about 95% of defense purchases are made by the Department of Defense, Military. The bulk of the remainder is for international security assistance, defense stockpiles, civil defense, and nuclear weapons programs carried out by other agencies.

The budget calls for an increase in defense purchases of $29.1 billion in 1983 over 1982. This increase more than offsets the impact of inflation, thus continuing the recent trend of rising

defense purchases in real terms. The pattern of real defense spending has altered significantly over the past decade. From a Vietnam peak in 1968, real defense purchases declined each year until 1976. Between 1976 and 1978 they stayed remarkably stable, and starting in 1979 began the rise that is continuing in this budget. While real (i.e., price adjusted) defense spending has increased each year since 1979, the rate of increase was sufficiently slow that defense purchases continued to decline relative to GNP. However, in 1982 and 1983 the rate of increase is sufficiently high that defense purchases are projected to rise relative to GNP for these years.

Constant price data for NIA defense purchases are available for all years since 1972. While similar data are not available for years prior to 1972, the budget includes constant price estimates of outlays in the national defense function. This category and defense purchases in the NIA are sufficiently similar so that these figures give a rough approximation of the same transactions. Table B–5 shows the budget estimates of outlays in constant prices for the national defense function for selected years and defense purchases by year since 1972.

Table B–5. **DEFENSE OUTLAYS IN CONSTANT (FISCAL YEAR 1972) PRICES**

(In billions of dollars)

National defense budget outlays		*Defense purchases of goods and services*	
1945[1]	255.5	1972	72.2
1948[2]	20.5	1973	68.1
1950[3]	29.7	1974	64.4
1953[4]	96.6	1975	64.1
1956[5]	74.1	1976	63.1
1965[6]	69.3	1977	63.3
1968[7]	101.7	1978[8]	62.8
1970–74 average	77.3	1979	64.0
1975–78 average	68.2	1980	67.6
1979–82 average estimate	75.7	1981[9]	70.0
1983 estimate	90.4	1982 estimate	76.1
		1983 estimate	83.1

[1] World War II peak year.
[2] Post-World War II low; includes large offsets from sale of assets acquired during the war.
[3] Last year prior to Korean war.
[4] Korean war peak year.
[5] Post-Korean war low in the 1950's.
[6] Post-Korean war low in the 1960's.
[7] Peak of spending during Vietnam war.
[8] Lowest point in post-Vietnam era.
[9] Last year for which "actual" data are available.

Nondefense purchases of goods and services.—This category covers the goods and services purchased by Federal nondefense agencies. These include such programs as operation of national forest, park, and recreation areas; space exploration; promotion of commerce; acquisition and disposal of agricultural commodities; construction of flood control and navigation projects; operation of the Federal airway system; a wide variety of medical, energy, space, and other scientific research; the capital outlays of Govern-

ment enterprises; Federal law enforcement; and operation of veterans hospitals. Table B–6 shows these purchases by agency for the years 1975 to 1983. To the extent feasible the data base was reconstructed to show Departments of Education and Energy spending in the successor agencies proposed in the 1983 budget.

Nondefense purchases consist mainly of the cost of operating the various nondefense agencies. In the case of Government enterprises (including the CCC and the Postal Service), however, the purchases figures reflect net capital formation. The most volatile major segment of nondefense purchases is CCC purchases, because the Corporation buys and sells agricultural commodities. On occasion—as in 1979 and in 1983—such sales may exceed new purchases.

Table B–6.—NONDEFENSE PURCHASES OF GOODS AND SERVICES BY AGENCY AND ACTIVITY

(In billions of dollars)

	Actual							Estimate	
	1975	1976	1977	1978	1979	1980	1981	1982	1983
Legislative and judicial branches	1.0	1.1	1.4	1.5	1.6	1.8	1.8	2.2	2.3
Department of Agriculture	2.6	2.6	5.4	4.5	2.8	5.5	6.0	7.9	2.7
Commodity Credit Corporation	(0.2)	(0.2)	(2.6)	(0.9)	(−0.9)	(1.1)	(1.4)	(3.3)	(−1.4)
Forest Service	(0.8)	(0.9)	(1.1)	(1.2)	(1.5)	(1.8)	(1.9)	(1.9)	(1.8)
All other	(1.5)	(1.5)	(1.7)	(2.3)	(2.2)	(2.6)	(2.7)	(2.6)	(2.3)
Department of Commerce	2.3	3.0	4.0	5.1	6.2	6.6	6.5	5.8	3.9
Corps of Engineers, Civil	2.1	2.2	2.3	2.6	2.9	3.3	3.2	3.0	2.6
Department of Health and Human Services	4.8	5.3	5.7	6.4	6.8	7.9	8.6	8.8	8.6
Health	(3.2)	(3.6)	(3.7)	(4.4)	(4.6)	(5.3)	(5.9)	(5.6)	(5.4)
Income security and other	(1.6)	(1.7)	(2.0)	(2.0)	(2.3)	(2.5)	(2.6)	(3.3)	(3.2)
Department of Housing and Urban Development	0.7	0.5	0.5	0.6	0.7	0.5	−0.1	0.2	0.2
Department of the Interior	2.2	2.4	2.9	3.1	3.5	2.7	7.0	5.5	5.7
Department of Justice	1.3	1.4	1.6	1.8	1.9	2.1	2.4	2.4	2.6
Department of Labor	0.7	1.0	1.1	1.3	1.7	1.9	1.9	2.0	1.8
Department of State	0.7	0.9	1.0	1.2	1.4	1.5	1.5	1.7	2.0
Department of Transportation	2.9	3.2	3.6	3.9	4.3	4.8	5.0	5.3	5.7
Coast Guard	(0.8)	(0.9)	(1.0)	(1.1)	(1.3)	(1.4)	(1.6)	(1.9)	(1.9)
Federal Aviation Administration	(1.7)	(1.8)	(2.0)	(2.2)	(2.3)	(2.5)	(2.7)	(2.6)	(3.0)
Other	(0.4)	(0.4)	(0.5)	(0.6)	(0.8)	(0.9)	(0.7)	(0.9)	(0.8)
Department of the Treasury	2.5	2.7	2.9	3.1	3.5	4.3	4.0	4.4	4.8
Internal Revenue Service	(1.6)	(1.7)	(1.8)	(1.9)	(2.1)	(2.3)	(2.4)	(2.5)	(2.9)
Other	(0.9)	(1.0)	(1.1)	(1.2)	(1.4)	(1.7)	(1.6)	(1.9)	(1.9)
Environmental Protection Agency	0.5	0.5	0.6	0.6	0.8	0.9	1.0	1.1	1.0
National Aeronautics and Space Administration	3.2	3.6	3.9	3.9	4.1	4.8	5.3	5.7	6.2
Veterans Administration	4.1	4.7	5.2	5.8	6.2	7.1	7.6	8.2	8.7
Hospital and medical care	(3.6)	(3.9)	(4.6)	(5.1)	(5.4)	(6.3)	(6.8)	(7.4)	(7.9)
Administration and other	(0.5)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.9)	(0.8)	(0.7)
All other	6.1	5.6	6.3	7.3	7.6	8.7	9.5	10.7	10.9
Tennessee Valley Authority	(1.0)	(1.1)	(1.2)	(1.5)	(2.0)	(1.7)	(1.7)	(2.2)	(2.2)

Table B–6.—**NONDEFENSE PURCHASES OF GOODS AND SERVICES BY AGENCY AND ACTIVITY—Continued**

(In billions of dollars)

	Actual							Estimate	
	1975	1976	1977	1978	1979	1980	1981	1982	1983
OPM: Employee health benefits and imputed employee retirement contributions	(0.6)	(0.7)	(0.9)	(1.1)	(1.4)	(1.7)	(2.0)	(2.2)	(2.4)
Postal Service	(0.7)	(0.7)	(0.4)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.9)
Imputed bank service charges	(0.5)	(0.3)	(0.5)	(0.6)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)
Foundation for Education Assistance	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)
Other	(3.0)	(2.5)	(3.0)	(3.5)	(3.1)	(4.3)	(4.5)	(5.0)	(4.7)
Total	**37.7**	**40.7**	**48.4**	**52.7**	**56.0**	**64.1**	**71.2**	**74.9**	**69.7**

Normally the Department of Health and Human Services accounts for more nondefense purchases than any other agency, but the decline estimated in 1983 combined with the rise in Veterans Administration spending is projected to move it to second place. Its nondefense purchases are estimated to total $8.8 billion in 1982 and $8.6 billion in 1983. Of the 1983 total, $5.4 billion is for health programs—both for the administration of health care and for medical research—and $3.2 billion is for income security and related programs, especially for the costs of administering the old-age, survivors, and disability (social security) trust funds. The next largest agency in terms of nondefense purchases traditionally has been the Veterans Administration, which is expected to surpass the HHS total in 1983. The bulk of these purchases are for hospital and medical care for veterans. Both the National Aeronautics and Space Administration with $6.2 billion in 1983 nondefense purchases and the Department of Commerce with $3.9 billion in 1983 nondefense purchases conduct major research and development programs, though the Commerce Department also has purchases for a wide range of other activities. (The Commerce Department spending shown herein also includes the bulk of nondefense purchases for energy.) The Transportation Department's $5.7 billion of 1983 nondefense purchases are mainly for the operation of the Federal Aviation Agency and the Coast Guard. The Corps of Engineers has an estimated $2.6 billion in 1983 nondefense purchases which, along with the Tennessee Valley Authority's $2.2 billion, is primarily for public works for natural resources and power activities.

Domestic transfer payments.—This is the largest category of Federal sector expenditures. Spending for domestic transfers has expanded rapidly in recent years, mainly because of more beneficiaries and higher benefit payments under social insurance programs. As table B-7 shows, spending on human resources programs—especially income security programs—dominates domestic transfer payments. This spending is expected to continue to rise in 1983, largely due to demographic and economic conditions—increases in the covered population and adjustments to compensate for inflation. Social security accounts for 51.8% of total domestic transfer payments in 1983, while medicare accounts for another 16.6%, unemployment assistance for 6.4%, Federal employee's retirement and disability civilian and military for 11.1%, and veterans benefits for 5.2% of the total. Program trends (on a unified budget basis) are discussed extensively in Part 5 of the *Budget* and elsewhere in the budget documents. The great bulk of domestic transfer payments is for income support and characterized by automatic eligibility of coverage and automatic benefit increases with price changes. For these programs the demographic and economic

conditions completely dominate the growth patterns, and the rate of growth is quite substantial for all years shown herein. However, for those programs that are less fully automatic—primarily in the education, training, employment, and social services function in the human resources grouping, and in the nonhuman resources functions—the budget proposes significant restraint in the spending levels.

The table reflects the administration's proposal to include the railroad retirement population under social security in 1983 and to abolish the railroad retirement trust fund.

Table B–7. **FUNCTIONAL COMPOSITION OF DOMESTIC TRANSFER PAYMENTS**

(In billions of dollars)

Description	Actual										Estimate	
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
HUMAN RESOURCES PROGRAMS												
Income security:												
Social security (OASDI)	38.0	46.6	53.2	61.5	70.3	81.1	89.3	99.4	113.7	134.1	150.1	168.1
Railroad retirement	2.1	2.4	2.6	3.0	3.4	3.7	3.9	4.2	4.7	5.2	5.2	.....
Civil service retirement	3.8	4.5	5.6	6.9	8.2	9.4	10.8	12.3	14.5	17.4	19.1	20.3
Unemployment benefits	6.5	4.9	5.6	12.5	18.3	14.2	10.9	9.9	16.3	18.1	23.3	20.9
Benefits for coal miners	.4	.9	1.0	.9	1.0	.9	1.0	1.6	1.8	1.7	1.6	1.6
Supplemental security income	.....	.....	1.9	4.2	4.6	4.7	4.9	5.2	5.7	6.4	7.0	8.0
Food and nutrition	1.8	2.1	2.7	4.2	4.7	4.4	4.5	5.7	7.9	9.6	9.6	8.9
Special payments, Treasury [1]	.....	.....	.....	1.7	.9	.9	.9	.8	1.3	1.4	1.3	1.2
Workmen's compensation	.2	.2	.3	.4	.5	.5	.6	.7	.8	.9	1.0	1.1
Other	.1	.1	.1	.1	.2	.2	.2	.1	.6	.2	.8	.7
Subtotal, Income security	52.9	61.8	72.9	95.5	111.9	120.2	127.0	139.9	167.2	195.1	219.0	230.7
Health:												
Medicare	8.3	9.0	10.9	14.1	16.9	20.7	24.2	28.1	33.8	41.1	48.1	53.9
Other	.4	.4	.4	.5	.6	.6	.6	.7	.8	.7	.7	.7
Subtotal, Health	8.8	9.4	11.4	14.6	17.4	21.3	24.8	28.7	34.6	41.9	48.8	54.7
Education, training, employment, and social services:												
Education	.8	.8	.8	1.3	1.9	2.5	3.0	3.4	4.2	5.2	5.3	4.6
Training, employment, and social services	.8	.7	.7	.6	.4	.6	.6	.6	.6	.8	.7	.3
Subtotal, education, training, employment, and social services	1.5	1.5	1.5	1.9	2.4	3.0	3.6	4.0	4.8	6.0	6.0	4.9

Table B–7. **FUNCTIONAL COMPOSITION OF DOMESTIC TRANSFER PAYMENTS—Continued**

(In billions of dollars)

Description	Actual										Estimate	
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Veterans benefits and services	8.8	9.7	10.4	12.8	14.3	13.3	13.5	14.0	14.4	15.5	16.4	16.9
Total, human resources programs	**71.9**	**82.5**	**96.3**	**124.8**	**146.0**	**157.8**	**168.9**	**186.7**	**220.9**	**258.4**	**290.3**	**307.2**
ALL OTHER FUNCTIONS												
National defense (military retired pay)	3.8	4.3	5.0	6.2	7.2	8.1	9.0	10.1	11.8	13.5	14.8	16.2
All other functions	.4	.4	.5	.4	.6	.7	.7	1.0	2.1	1.9	.9	1.2
Total functions not included in human resources grouping	**4.2**	**4.7**	**5.6**	**6.6**	**7.8**	**8.8**	**9.8**	**11.1**	**13.8**	**15.5**	**15.7**	**17.4**
Total domestic transfer payments	**76.1**	**87.2**	**101.8**	**131.4**	**153.8**	**166.6**	**178.7**	**197.8**	**234.7**	**273.9**	**306.0**	**324.6**

[1] Includes both $50 tax rebates and earned income tax credits in excess of tax liabilities.

Note.—Excludes the transition quarter.

Grants-in-aid.—These expenditures help State and local governments to provide general public services and to finance programs for the needy. Table B-8 shows detail on grants-in-aid by budget function and major activity. Grant expenditures are discussed in greater detail in Special Analysis H. While the definition of Federal aid used in that analysis differs somewhat from that used in the NIA, the two sets of data largely overlap. Special Analysis H explains the relationship between the series.

There is a substantial degree of substitutability between grants-in-aid and domestic transfer payments and—to a lesser degree—nondefense purchases. For example, low-income veterans could be eligible for free medical care under medicaid (Federal grants to finance State and local purchases), in a veterans hospital (nondefense purchases), or, perhaps under medicare (transfer payments). The supplemental security income transfer payments have substituted for the previous program of grants to States for public assistance for the elderly and handicapped. (The State and local spending of Federal grant money for public assistance programs is classified as State and local government transfer payments.) Most grants in the income security function plus medicaid are grants to assist States to provide income support; most other grants finance State and local services to the public. (However, the income support may be aid in-kind as is the case of medicaid where the State and local spending is to purchase medical care for the poor.)

One of the major thrusts of this administration is to reduce both the level and complexity of Federal grant programs, and to surrender to State and local governments tax sources that they may tap to finance from their own revenues those portions of programs currently financed by grants that they choose to retain. To some extent the major tax reductions enacted last year and the grant reductions proposed in this budget carry out that policy. But the primary effect of this approach will be felt in the years beyond 1983, years that are beyond the scope of this analysis. Extensive discussion of these basic policies can be found in the 1983 budget document.

Table B–8. FUNCTIONAL COMPOSITION OF FEDERAL GRANTS-IN-AID

(In billions of dollars)

Description	Actual										Estimate	
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
HUMAN RESOURCES PROGRAMS												
Income security:												
Public assistance cash [1]	6.6	5.9	5.4	5.1	5.8	6.3	6.6	6.5	7.2	8.4	8.0	7.4
Child nutrition and other food programs	.9	1.1	1.2	1.7	2.1	2.7	2.8	3.3	3.6	4.4	3.9	3.1
Other	.4	.5	.5	.9	1.2	1.3	1.3	1.5	3.0	4.1	4.5	3.9
Subtotal, income security	7.8	7.5	7.1	7.7	9.2	10.4	10.8	11.3	13.8	16.8	16.4	14.4
Health:												
Medicaid	4.6	4.6	5.8	6.8	8.6	9.8	10.6	12.4	13.9	16.8	17.8	17.0
Other (includes research, construction, services, and medical training)	1.5	1.7	2.0	2.4	2.9	2.9	2.8	2.8	2.8	3.1	3.4	3.6
Subtotal, health	6.1	6.3	7.8	9.2	11.4	12.7	13.4	15.1	16.7	19.9	21.2	20.5
Education, training, employment, and social services:												
Education	3.8	3.6	3.5	4.6	4.5	4.9	5.5	6.6	7.3	7.2	7.2	6.5
Training and employment	1.7	2.2	1.9	3.4	5.6	6.0	9.5	9.2	8.5	7.4	3.8	1.9
Social services	3.1	3.0	2.9	3.6	3.8	4.4	5.0	5.8	5.0	5.3	5.5	4.4
Subtotal, education, training, employment, and social services	8.6	8.7	8.4	11.7	13.9	15.4	20.0	21.6	20.7	19.8	16.6	12.8
Veterans benefits and services	*	*	*	*	.1	.1	.1	.1	.1	.1	.1	.1
Total, human resources programs	**22.6**	**22.5**	**23.3**	**28.7**	**34.5**	**38.5**	**44.2**	**48.1**	**51.3**	**56.7**	**54.2**	**47.8**
Natural resources and environment	.8	1.1	2.0	2.3	2.9	4.1	3.9	4.7	5.3	4.8	5.0	4.0

Community and regional development:					.6	2.9	1.6	.4	.1	.1	*	*
Local public works				1.0	2.0	2.4	3.1	4.0	4.3	4.4	3.8	3.8
Block grants				2.4	1.8	1.5	1.7	1.9	1.6	1.3	1.0	1.0
Other	2.2	2.6	2.7	2.8								
Subtotal, community and regional development	2.2	2.6	2.7	2.8	3.4	4.4	6.8	6.4	6.3	6.0	5.8	4.9
Transportation	5.1	5.3	5.3	5.8	7.5	7.7	8.1	9.5	11.8	12.2	11.4	11.1
General purpose fiscal assistance:												
General revenue sharing		6.6	6.1	6.1	6.2	6.8	6.8	6.8	6.8	5.1	4.6	4.6
Anti-recession fiscal assistance						1.7	1.3					
Other	.3	.4	.4	.5	.4	.5	.8	.9	1.1	1.2	1.3	1.6
Subtotal, general purpose fiscal assistance	.3	7.0	6.5	6.6	6.7	9.0	8.9	7.8	7.9	6.3	5.9	6.1
All other functions	1.7	1.9	1.9	2.2	2.6	2.6	2.8	2.6	4.1	4.2	3.9	2.8
Total other functions	10.0	17.9	18.4	19.7	23.0	27.7	30.4	31.0	35.4	33.4	32.1	29.0
Total grants-in-aid	32.6	40.4	41.6	48.4	57.5	66.3	74.7	79.1	86.7	90.1	86.3	76.8

* $50 million or less

Note.—Includes the transition quarter

a Including grants for combined welfare administration and for child support enforcement

Foreign transfer payments.—There are three major types of foreign transfer payments: expenditure of dollars to assist foreign economic development, grants of surplus agricultural products, and payments under social security and similar programs to individuals living abroad. Although payments to individuals are gradually rising (roughly in proportion with the rise in GNP), total foreign transfer payments have declined to less than 0.2% of GNP. The peak year for foreign transfer payments was 1949; in that year they were equal to 1.9% of GNP.

Net interest paid.—Net interest depends on the size of Federal debt, loans outstanding, and the interest rates on borrowing and lending. In the early post-war years (1947–48), net interest paid amounted to over 13% of total Federal sector NIA expenditures, but it accounted for around 6–7% of the total each year from 1952 to 1977. Net interest paid rose from 6.9% of Federal sector expenditures in 1977 to 10.0% in 1981 and an estimated 12.2% in 1983.

In recent years foreign holdings of Federal debt have increased significantly. This expansion, combined with higher interest rates, pushed up the amount of interest paid abroad to over $16.0 billion in 1981, five times the $3.2 billion total in 1973. These foreign interest payments are partially offset by interest collections from abroad; in 1973 such collections totaled $0.9 billion and in 1981 they totaled $2.2 billion. The increase in foreign holdings of Federal debt and in interest payments on that debt is discussed further in Special Analysis E.

Subsidies less current surplus of Government enterprises.—Subsidies less current surplus of Government enterprises consist of two elements: (1) subsidy payments to resident businesses (including farms); and (2) the "current surplus" or "deficit" of Government enterprises. In this context, a subsidy is a monetary grant to a unit engaged in commercial activities. Examples are housing subsidies, subsidies for railroads, and the construction and operating differential subsidies paid to operators of U.S.-flag merchant ships. As table B–9 shows, roughly half of the subsidies are for housing programs. These subsidies are designed mainly to reduce the cost of housing to moderate- and low-income families.

"Government enterprise" is the term used in the NIA to designate certain business-type operations of the Government, which usually appear in the budget as public enterprise revolving funds. The operating costs of Government enterprises are, to a great extent, covered by the sale of goods and services to the public rather than from tax receipts. The difference between the sales and the current operating expenses of a Government enterprise constitutes its surplus or deficit. As noted above, the capital formation of Government enterprises is classified as nondefense purchases. The

largest Government enterprises are the Commodity Credit Corporation, the Postal Service (which is not now included in the budget), and the Tennessee Valley Authority.

Table B-9 shows the composition of this aggregation by major category.

Table B–9. SUBSIDIES LESS CURRENT SURPLUS OF GOVERNMENT ENTERPRISES

(In billions of dollars)

Description	Actual										Estimate	
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Subsidies:												
Commodity Credit Corporation	2.9	3.6	2.4	0.6	0.3	0.6	2.3	2.0	0.5	1.4	1.5	2.0
Rural housing insurance fund	.1	.1	.1	.2	.3	.4	.4	.6	.6	.7	.7	.6
Other Department of Agriculture	.4	.4	.3	.4	.3	.3	.4	.3	.3	.3	.3	.2
Maritime	.4	.4	.4	.5	.5	.5	.5	.5	.6	.6	.6	.5
Housing (HUD)	1.3	1.7	1.9	2.1	2.3	2.9	3.5	4.3	5.1	6.5	7.8	8.2
Railroad and mass transit	.1	.1	.1	.5	1.1	1.4	1.5	1.7	2.1	2.2	1.9	1.4
Other [1]	.2	1.1	.1	.1	.1	.3	.2	.4	.4	.1	.1	.1
Subtotal	5.3	7.4	5.4	4.4	5.0	6.4	8.9	9.9	9.6	11.8	13.0	12.0
Enterprise surpluses (—) or deficits:												
Commodity Credit Corporation	.6	1.3	1.0	.3	.2	.2	.8	1.3	1.5	1.7	1.5	2.1
Postal Service	1.7	1.7	2.2	2.5	2.8	2.0	1.9	1.0	2.1	2.2	.9	1.2
Tennessee Valley Authority	—.2	—.2	—.3	—.3	—.4	—.6	—.6	—.8	—1.1	—1.2	—1.8	—2.4
Federal Housing Administration	—.3	—.3	—.1	—.2	—.2	—.2	—.2	—.2	—.3	—.4	—.3	—1.2
Federal Deposit Insurance Corporation	—.2	—.1	—.1	—.2	—.2	—.2	—.3	—.3	—.3	—.4	—.4	—.4
Federal Savings and Loan Insurance Corporation	—.1	—.1	—.2	—.2	—.2	—.2	—.3	—.3	—.3	—.1	.4	.6
All other [2]	—.3	—.2	—.4	—.4	—.6	—.4	—.6	—.8	—.5	—.6	—.9	—.8
Subtotal	1.2	1.8	2.2	1.5	1.2	.6	.7	—.1	1.1	1.2	—.5	—.8
Totai subsidies less current surplus	**6.5**	**9.2**	**7.6**	**6.0**	**6.2**	**7.0**	**9.6**	**9.8**	**10.8**	**13.0**	**12.5**	**11.2**

[1] Includes subsidies by the disaster loan fund of $0.7 billion in 1973. Includes proposed legislation for subsidies as part of the economic stimulus program and the 8% sound security tax credit.

[2] Includes wage disbursements less accruals.

Note.—Excludes the transition quarter

Wage disbursements less accruals.—This is an adjustment item occasionally made in the NIA when it is necessary to take account of the fact that wages and salaries are not always received at the same time as they are earned. The national income component of wages and salaries is counted in the GNP on an accrual basis; that is, when the income is earned rather than when it is received. Personal income, however, including wage and salary disbursements, is estimated on the basis of when the cash is received.

Ordinarily, wage and salary payments disbursed in one period but earned in the preceding period are approximately offset by payments disbursed in the next period but earned in the current period. The adjustment between national income and personal income is then small or zero.

Quarterly Estimates

Table B–10 presents quarterly NIA receipts and expenditures (at seasonally adjusted annual rates) for 1981 to 1983. The translation of the budget into the NIA categories is inexact. When the annual NIA estimates are converted into quarterly distributions that are seasonally adjusted at annual rates, greater imprecision must be expected. The data presented in table B–10 are the best available estimates of the quarterly NIA receipts and expenditures consistent with the 1983 budget, but should be used with clear recognition of their limitations.

Table B–10. FEDERAL RECEIPTS AND EXPENDITURES IN THE NIA, QUARTERLY, 1981–83

(In billions of dollars, seasonally adjusted at annual rates)

Description	Actual					Estimated						
	Oct.–Dec. 1980	Jan.–Mar. 1981	Apr.–June 1981	July–Sept. 1981	Oct.–Dec. 1981	Jan.–Mar. 1982	Apr.–June 1982	July–Sept. 1982	Oct.–Dec. 1982	Jan.–Mar. 1983	Apr.–June 1983	July–Sept. 1983
RECEIPTS												
Personal tax and nontax receipts	272.9	283.3	293.2	306.4	301.9	304.1	315.6	295.0	302.0	310.9	319.0	298.5
Corporate profits tax accruals	72.6	74.6	64.8	66.4	57.2	58.2	57.4	62.0	63.9	80.4	83.1	84.9
Indirect business tax and nontax accruals	49.1	60.6	62.6	61.8	59.0	56.5	56.5	57.7	57.5	57.2	57.5	58.1
Contributions for social insurance	178.6	198.9	200.4	203.7	206.9	221.2	225.8	230.2	230.7	242.4	247.0	251.8
Total, receipts	573.2	617.4	621.0	638.3	625.0	640.0	655.3	644.9	654.1	690.9	706.6	693.3
EXPENDITURES												
Purchases of goods and services	212.0	221.6	219.5	226.4	246.7	249.5	247.1	252.4	262.2	269.1	276.3	283.8
Defense	(141.6)	(145.2)	(148.2)	(154.1)	(165.8)	(173.1)	(176.5)	(180.9)	(190.7)	(198.9)	(207.1)	(216.0)
Nondefense	(70.4)	(76.4)	(71.3)	(72.2)	(81.0)	(76.4)	(70.6)	(71.5)	(71.5)	(70.2)	(69.2)	(67.8)
Transfer payments	269.0	271.9	274.8	293.6	297.5	308.4	316.0	326.7	325.5	327.9	329.4	340.7
Domestic (to "persons")	(262.6)	(267.3)	(270.7)	(287.8)	(291.8)	(302.2)	(309.8)	(320.5)	(319.3)	(321.7)	(323.2)	(334.5)
Foreign	(6.4)	(4.7)	(4.1)	(5.8)	(5.7)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)	(6.2)
Grants-in-aid to State and local governments	91.8	90.2	89.6	85.4	82.9	84.5	88.4	89.2	81.7	77.7	75.5	72.3
Net interest paid	55.2	67.7	70.4	75.6	79.4	80.0	82.6	83.6	84.5	93.5	101.0	104.7
Subsidies less current surplus of Government enterprises	13.1	12.6	13.9	13.3	13.1	12.4	11.7	12.8	11.5	11.2	10.8	11.1
Wage disbursements less accruals	0	0	0	−0.2	0.1	0.2						
Total expenditures	641.1	664.0	668.2	694.0	719.4	735.0	745.8	764.7	765.4	779.4	793.0	812.6
Deficit (−)	−67.9	−46.6	−47.2	−55.7	−94.4	−95.0	−90.5	−119.8	−111.3	−88.5	−86.4	−119.3

Note.—Because of the methods normally used seasonally adjusting NIA data, the average of seasonally adjusted data for the 4 quarters of a fiscal year may not be equal to the unadjusted fiscal year total.

Relationship of the Budget to the Federal Sector NIA

Table B–11 shows the major differences between the budget and the Federal sector of the NIA. These differences are explained below.

Table B–11. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIA

(In billions of dollars)

Description	1979 actual	1980 actual	1981 actual	1982 estimate	1983 estimate
RECEIPTS					
Total budget receipts	**463.3**	**517.1**	**599.3**	**626.8**	**666.1**
Government contributions for employee retirement (grossing)	7.5	8.4	9.4	10.8	11.3
Other netting and grossing	6.5	7.6	9.4	10.2	11.9
Adjustment to accruals	4.5	−4.4	−2.8	−4.8	−1.8
Geographic exclusions	−1.2	−1.2	−1.3	−1.5	−1.6
Other	0.1	−0.1	−1.0	−0.5	−0.3
Federal sector, NIA receipts	**480.7**	**527.3**	**613.0**	**641.0**	**685.7**
EXPENDITURES					
Total budget outlays	**491.0**	**576.7**	**657.2**	**725.3**	**757.6**
Lending and financial transactions	−7.2	−10.3	−7.4	−3.5	−2.5
Government contribution for employee retirement (grossing)	7.5	8.4	9.3	10.8	11.3
Other netting and grossing	6.5	7.6	9.4	10.2	11.9
Defense timing adjustment	−0.6	−0.6	−1.4	−0.3	−3.3
Bonuses on Outer Continental Shelf land leases	1.9	2.2	7.9	4.9	14.7
Geographic exclusions	−3.9	−4.5	−4.6	−4.7	−4.5
Other	−0.4	−1.3	−2.6	−1.3	2.3
Federal sector, NIA expenditures	**494.7**	**578.2**	**667.9**	**741.4**	**787.6**

Lending and financial transactions.—Conceptually, the national income and product accounts measure the Nation's current income and production, and therefore do not include transactions, such as loans, that are an exchange of existing assets and liabilities rather than current income or production. Loan transactions have a significant economic impact, affecting income and output, but they are analyzed more appropriately within a financial market framework, such as provided by the flow-of-funds data of the Federal Reserve Board. Special Analysis E (Borrowing and Investment) and Special Analysis F (Federal Credit Programs) both contain information on the financial market implications of the budget.

Most of the lending and financial transactions displayed in table B–11 are shown in Special Analysis F. However, this total differs from the total for direct loans shown in Special Analysis F because: (a) the NIA records nonrecourse agricultural commodity loans as purchases rather than loans; (b) capital contributions to international financial institutions are not loans, but are financial transactions excluded from the NIA; and (c) Special Analysis F includes

lending by off-budget Federal entities; these loans do not require reconciliation with the NIA because they are not included in the budget outlay totals.

Government contribution for employee retirement.—The contributions of Government agencies to the retirement trust funds of their employees are not included in the budget totals. While the outlays are recorded in each agency's budget, they are offset by an intragovernmental deduction. However, the NIA counts Government payments for employee retirement as part of the compensation paid to Government employees and, therefore, as Government expenditures; this treatment maintains comparability with the treatment of employee retirement contributions in the rest of the economy. Contributions for employee retirement by Government enterprises such as the Postal Service are recorded as an increase in the current deficit of enterprises. Contributions by other accounts are recorded as purchases of goods and services. The receipt of these retirement contributions is treated in the NIA as contributions for social insurance. Since receipts and expenditures are increased by identical amounts, this treatment has no effect on the surplus or deficit. Around 80% of these payments go to the civil service retirement fund, while most of the remainder is for social security.

Other netting and grossing.—The budget normally counts as receipts only income from taxation or similar sources that arises from the exercise of governmental power to compel payment. Money received in the course of business-type transactions, therefore, is normally shown as offsets against outlays. For instance, receipts from social insurance programs operated by the Veterans Administration (such as the National Service Life Insurance and U.S. Government Life Insurance) are netted against outlays in the budget since these programs are voluntary, commercial-type activities. However, in the NIA these insurance premiums are treated as social insurance receipts just as are receipts from compulsory Government programs.

In previous budgets, noncompulsory insurance premiums under the supplementary medical insurance program (totaling $3.3 billion in 1981) and similar but much smaller noncompulsory hospital insurance premiums were classified as receipts in the budget. In the 1983 budget these have been reclassified (retroactively) to be offsetting collections (negative outlays) but they continue to be classified as social insurance contributions in the NIA, therefore significantly increasing the magnitude of the grossing adjustment.

Other netting and grossing includes some imputed contributions for social insurance for Federal employees for unemployment compensation (which adds an equal amount to nondefense purchases)

and workmen's compensation (which adds an equal amount to domestic transfer payments).

One major element of netting and grossing in recent years has been due to budgetary collections arising from the Outer Continental Shelf leases. All such collections are recorded in the budget as negative outlays. The rents and royalties component—but not the bonuses—are recorded in the NIA as indirect business nontaxes; this converts the money from an offset to outlays in the budget to a receipt in the NIA.

Timing adjustments.—The budget records receipts at the time the cash is collected regardless of when the income is earned, and outlays (except interest paid to the public) are generally recorded at the time the checks are issued. The NIA attempts to record most receipts from the business sector in the time period in which the income is earned rather than when taxes are actually paid, while personal income taxes and social insurance contributions are recorded at the time of payment by the individual taxpayer rather than when the liability is accrued or the cash is received by Treasury.

The principal timing adjustment to expenditures is for defense purchases. The major defense timing adjustment normally involves procurement items (such as missiles and airplanes) purchased under most fixed-price contracts. These items are recorded in the Federal sector NIA as defense purchases at the time of delivery to the Federal Government, rather than when the payment is made (as the budget does) or when they are fabricated. Work in progress is counted as part of private business inventories until the goods are completed and delivered to the Government. An additional defense timing adjustment is made to convert foreign military sales, which are recorded on a cash basis in the unified budget, to a basis consistent with net exports in the NIA. In addition, some accounting adjustments are included with the defense timing adjustment in this translation.

Since both the budget and the NIA record public debt interest to the public when it accrues, no timing adjustment is needed for most interest transactions.

Bonuses on Outer Continental Shelf land leases.—In recent years bonuses paid on the Outer Continental Shelf oil leases have become a significant reconciliation item between the unified budget and the NIA. As already noted, the budget records these bonuses as proprietary receipts and, therefore, deducts them from budget outlays. The NIA excludes these transactions as being a transfer of assets, because the payments are not included in calculating book profits under current corporate accounting practice.

Geographic exclusions.—Geographic exclusions arise because Puerto Rico, the Virgin Islands, and other U.S. territories are not included in the United States for purposes of computing the GNP and related data series (such as social insurance taxes, domestic transfer payments, and grants-in-aid) but also are not treated as foreign for purposes of producing data on exports, imports, and foreign transfer payments. Since the budget includes receipts from and payments to persons and local governments in these territories and the NIA excludes such transactions, this constitutes a major reconciliation item between the two data series.

Other.—This category contains miscellaneous adjustments, such as the NIA expenditures by off-budget Federal entities and foreign currency transactions that are included in the NIA but not in the budget.

Table B–12. **FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS, 1972–83**

(In billions of dollars)

Description	Actual										Estimate	
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
RECEIPTS, NATIONAL INCOME BASIS												
Personal taxes and nontax receipts	100.5	107.4	122.7	127.5	137.2	166.4	186.4	223.1	249.7	290.7	303.5	307.7
Corporate profits tax accruals	34.2	41.2	43.4	41.8	52.5	58.8	67.2	75.8	70.6	69.6	58.7	78.1
Indirect business tax and and nontax accruals	19.9	20.7	21.4	22.2	24.4	24.5	27.2	29.1	35.7	56.6	57.4	57.5
Contributions of social insurance	58.9	71.5	84.2	91.9	101.0	116.2	133.4	152.7	171.3	196.1	221.4	242.4
Total receipts, national income basis	**213.4**	**240.7**	**271.6**	**283.4**	**314.9**	**365.9**	**414.2**	**480.7**	**527.3**	**613.0**	**641.0**	**685.7**
EXPENDITURES, NATIONAL INCOME BASIS												
Purchases of goods and services	100.6	101.1	104.5	117.9	125.1	140.3	150.7	163.4	190.2	218.3	249.0	272.9
Defense	(72.2)	(72.8)	(73.6)	(80.2)	(84.4)	(91.9)	(98.0)	(107.4)	(126.1)	(147.1)	(174.1)	(203.2)
Nondefense	(28.4)	(28.4)	(30.9)	(37.7)	(40.7)	(48.4)	(52.7)	(56.0)	(64.1)	(71.2)	(74.9)	(69.7)
Transfer payments	79.0	89.8	104.8	134.5	156.8	169.8	182.2	201.8	239.3	279.7	312.1	330.8
Domestic ("to persons")	(76.1)	(87.2)	(101.8)	(131.4)	(153.8)	(166.6)	(178.7)	(197.8)	(234.7)	(273.9)	(306.0)	(324.6)
Foreign	(2.8)	(2.7)	(3.0)	(3.1)	(3.0)	(3.2)	(3.5)	(4.0)	(4.6)	(5.8)	(6.1)	(6.2)
Grants-in-aid to State and local governments	32.6	40.4	41.6	48.4	57.5	66.3	74.7	79.1	86.7	90.1	86.3	76.8
Net interest paid	14.0	15.7	19.6	21.7	25.2	28.4	33.5	40.6	51.2	66.9	81.4	95.9
Subsidies less current surplus of Government enterprises	6.5	9.2	7.6	6.0	6.2	7.0	9.6	9.8	10.8	13.0	12.5	11.2
Wage disbursements less accruals	.....	−.5	.2	.4	.....	.....	−*	*	.....	−.1	.1	.....
Total expenditures, national income basis	**232.7**	**255.7**	**278.2**	**328.8**	**370.7**	**411.7**	**450.5**	**494.7**	**578.2**	**667.9**	**741.4**	**787.6**
Excess of receipts (+) or expenditures (−), national income basis	**−19.2**	**−14.9**	**−6.6**	**−45.4**	**−55.8**	**−45.8**	**−36.3**	**−14.0**	**−50.9**	**−54.9**	**−100.4**	**−101.9**

*$50 million or less Note.—Excludes the transition quarter